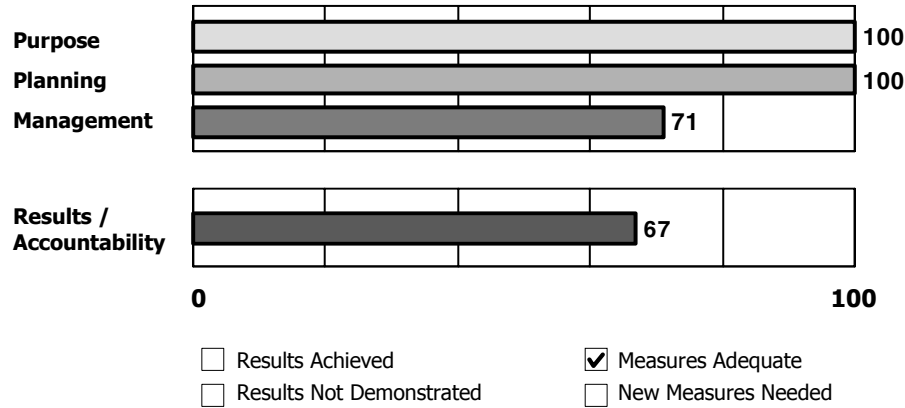


## Program: Housing

Agency: Department of Defense--Military

Bureau: Military Personnel



### Key Performance Measures

Key Performance Measures	Year	Target	Actual
Long-term Measure: Reduce the number of inadequate houses to zero by 2007	2002	153,249	163,195
	2003	125,366	
	2004	98,953	
Annual Measure: Number of housing units privatized	2002	13,905	10,284
	2003	34,649	
	2004	41,258	
Annual Measure: Percent of service members out-of-pocket housing expenses as a fraction of the national median housing costs	2002	11.3%	11.3%
	2003	7.5%	
	2004	3.5%	
	2005	0%	

## Rating: Moderately Effective

Program Type: Direct Federal

### Program Summary:

DoD's housing program provides housing to military service members and their families. DoD does this in two ways -- by providing housing allowances (BAH) to service members (who find housing in the private sector or in privatized housing on-base) or by providing members DoD-owned housing.

1. The PART reveals that DoD received high scores for the purpose and planning sections because the housing program meets the specific needs of the military and has long-term and short-term goals.
2. The PART shows that, even though DoD has an ambitious goal of eliminating the number of inadequate houses by 2007 (a Presidential Management Initiative), DoD is lagging behind in meeting its targets as shown in the performance measures table on the left. At the end of 2002, DoD owned 163,195 inadequate housing units, higher than what was projected.
3. However, DoD met its goal for reducing service member out-of-pocket housing expenses to 11.3% by increasing housing allowances in 2002.
4. DoD is making attempts to reduce the federal role by increasing both allowances and privatization of government-owned housing.

Based on these findings, the Administration will:

1. Work toward meeting yearly targets so that DoD can eliminate all inadequate housing by 2007.
2. Eliminate all out-of-pocket housing expenses by providing an appropriate housing allowance.
3. Privatize government-owned housing, where feasible, so that military service members and their families can live in quality housing.

(For more information on this program, please see the Department of Defense chapter in the Budget volume.)

### Program Funding Level (in millions of dollars)

2002 Actual	2003 Estimate	2004 Estimate
11,946	13,086	14,156

## OMB Program Assessment Rating Tool (PART)

### *Direct Federal Programs*

**Name of Program: Housing (Basic Allowance for Housing (Allowance), Military Construction, Privatization)**

#### **Section I: Program Purpose & Design (Yes, No, N/A)**

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1 <i>Is the program purpose clear?</i>	Yes	The purpose of the program is to provide service members with adequate housing. DoD either provides: 1) an allowance for service members to live in adequate housing in the private sector or 2) free government-owned military housing in lieu of a cash allowance.	DoD's housing program is covered by several statutes. Authority to provide allowance is provided in 37 USC Sections 403, 403a, and 405 (b). Authority to construct military housing is provided in 10 USC, Subtitle A, Part IV, Chapter 169, Subchapter II & III. Authority to privatize military-owned housing is provided in 10 USC, Subtitle A, Part IV, Chapter 169, Subchapter IV.	22%	0.2
2 <i>Does the program address a specific interest, problem or need?</i>	Yes	Historically, providing adequate housing or housing allowance to military service members has been viewed by DoD as a necessity. DoD treats housing benefits as a part of service members' compensation package, which helps retain and recruit soldiers.	Service members have, since the founding of the United States, normally been furnished living quarters without charge. The history of the cash allowances can be traced back to 1878. A Congressional Budget Office report states that the high quality of today's armed forces suggests that housing benefits have met the needs of the members.	22%	0.2
3 <i>Is the program designed to have a significant impact in addressing the interest, problem or need?</i>	Yes	About two-third of the budgetary costs cover allowances for living off-base in private housing. Currently, two-thirds of married members live off-base, and one-third live on-base. Approximately 60% of DoD's on-base housing is considered inadequate. Privatization has helped DoD utilize land and improvements to provide quality housing by soliciting private sector participation.	Currently, military household out-of-pocket costs for housing are 11.3% in '02 (7.5% projected in '03) when receiving an allowance and 0% when housed in government or privatized housing. Furthermore, DoD is using privatization to provide service members with larger, well-maintained housing units that are adequate.	22%	0.2
4 <i>Is the program designed to make a unique contribution in addressing the interest, problem or need (i.e., not needlessly redundant of any other Federal, state, local or private efforts)?</i>	Yes	Allowances provide for housing without the government being the landlord. DoD conducts market analysis which indicates whether there is a need for government- provided housing or whether the private housing market is adequate. DoD uses this survey to determine the need for military construction and/or privatization, where suitable private housing is not available.	A recent RAND study, a research firm, shows that most military members prefer military housing when it is cheaper. However, if members are housed in the private sector, it is a lower cost alternative, even if DoD increases the housing allowance. It is expected that the increase in allowance will increase the reliance on the private sector.	22%	0.2

5	<i>Is the program optimally designed to address the interest, problem or need?</i>	Yes	Quality housing can be provided efficiently by the private sector. To this end, DoD is increasing allowances and privatization and reducing military construction. DoD also spends around \$4 billion per year constructing and maintaining government- owned housing. Under an ideal economic situation, the government would principally rely on allowances (eventually making it part of salary) and allow most of the service members to live in the private sector or privatized housing.	DoD provides good quality housing in two ways: 1) DoD provides a cash allowance, which allows service members to rent from the local market or privatized housing; and 2) DoD provides free-government housing in lieu of a cash allowance.	20%	0.2
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<b>Total Section Score</b>				<b>108%</b>	<b>108%</b>
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Section II: Strategic Planning (Yes,No, N/A)						
	Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score
1	Does the program have a limited number of specific, ambitious long-term performance goals that focus on outcomes and meaningfully reflect the purpose of the program?	Yes	The goal of the program is to provide quality housing or to provide allowances for members to find adequate housing in the private sector. For government-owned housing, DoD's goal is to eliminate inadequate houses by 2007. DoD is also increasing reliance on the private sector to eliminate inadequate housing by privatizing government-owned housing. DoD is increasing the allowance each year to reduce out-of-pocket housing expense to 0% by 2005.	These goals are clearly stated in the President's budget and the Secretary's Planning Guidance.	20%	0.2
2	Does the program have a limited number of annual performance goals that demonstrate progress toward achieving the long-term goals?	Yes	DoD has a goal to decrease members' out-of-pocket housing costs to 11.3% in FY02 and 7.5% in FY03. For on-base housing, DoD has a year by year plan to eliminate inadequate housing. DoD plans to use both military construction and privatization to achieve this goal, with an increasing reliance on privatization.	The allowance goal is published in the President's Budget. Each year, DoD determines the annual amount of inadequate housing it plans to eliminate.	20%	0.2
3	Do all partners (grantees, sub-grantees, contractors, etc.) support program planning efforts by committing to the annual and/or long-term goals of the program?	N/A	Contractors do not participate in program planning efforts. Military construction and privatization projects are only competed if there is a need to construct houses. Once the need is determined, and the goals of the project are set by DoD, the contractor is expected to deliver as required by the contract.	N/A	0%	
4	Does the program collaborate and coordinate effectively with related programs that share similar goals and objectives?	N/A	The military housing program is not related to any other federal program with a similar goal. No other program is funded to meet the same needs, directly or indirectly.	N/A	0%	

5	<i>Are independent and quality evaluations of sufficient scope conducted on a regular basis or as needed to fill gaps in performance information to support program improvements and evaluate effectiveness?</i>	Yes	General Accounting Office (GAO), Congressional Budget Office, Congress, and DoD Inspector General have evaluated the program and DoD has taken action to improve the program. In addition, DoD relies on private sector financial experts to assist in the privatization program and to ensure privatization deals are valid and accurate.	GAO has completed its third evaluation of the privatization efforts (June 2002). Moreover, each privatization project is evaluated by OMB and the Congress to ensure that they are scored and evaluated properly. Companies such as Ernst and Young (consultants), Jones Lang LaSalle (construction/financing) have added value by evaluating privatization projects.	20%	0.2
6	<i>Is the program budget aligned with the program goals in such a way that the impact of funding, policy, and legislative changes on performance is readily known?</i>	Yes	The results of increasing the housing allowance to the national median housing expenditure can be readily observed. Any funding provided for military construction or privatization is allocated by project since each project requires congressional authorization.	For the allowance, annual decreases in out-of-pocket housing expense reflects budget alignment. DoD's budget justification materials sent to Congress with the 2003 President's budget displays military construction funding project by project.	20%	0.2
7	<i>Has the program taken meaningful steps to address its strategic planning deficiencies?</i>	Yes	Every year, DoD undertakes a program review effort to evaluate the program and then links the review to the budgetary decisions. In addition, DoD periodically assesses its program when an audit reveals criticism or suggestions.	Two years ago, DoD was criticized for having allowances that did not take into account high and low cost areas. Thus, service members were paying a higher percentage of housing expenses out of their pocket than others. DoD took steps to improve the allowance program by adjusting the allowance formula. GAO has criticized DoD for not having a robust methodology for computing housing needs. DoD has taken steps to improve the methodology by standardizing the models among services. Furthermore, DoD judges on-base housing requirement by looking to the local market instead of basing it on demand for on-base housing. Recently, the privatization program did not have a program evaluation in place and DoD now semi-annually evaluates performance and the lessons learned from on-going projects for use in upcoming privatization efforts.	20%	0.2

<b>Total Section Score</b>				<b>100%</b>	<b>100%</b>
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<b>Section III: Program Management (Yes,No, N/A)</b>					
<b>Questions</b>	<b>Ans.</b>	<b>Explanation</b>	<b>Evidence/Data</b>	<b>Weighting</b>	<b>Weighted Score</b>

1	<i>Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?</i>	Yes	For every project, the Service requesting the project has to justify the expenditure based on housing market analysis. Once the project is awarded, project supervisors in the supervision and administration office (Corp of Civil Engineers or Air Force Civil Engineers) monitor the project to ensure that the project is proceeding as planned (from architectural drawings to foundation).	DoD publishes a master plan each year to assess the need for housing and the number of current inadequate housing units and everytime construction is required, it must be supported with current market analysis. For instance in the Kirkland privatization project, the scope of the construction project was reduced based on the timely data DoD collected. In government construction, DoD uses supervisors to monitor the projects by adjusting drawings to meet government needs or reworking the contract to deal with mold and asbestos issues. Thereby, ensuring that the program purchases good housing.	14%	0.1
2	<i>Are Federal managers and program partners (grantees, subgrantees, contractors, etc.) held accountable for cost, schedule and performance results?</i>	Yes	Some projects contain incentives to improve the performance or delivery of the project. These include cash bonuses for contractors for completing projects on/ahead of time or below cost. Furthermore, past performance is a criteria on when construction/privatization projects are awarded. Construction contracts have to comply with Federal Acquisition Regulation (FAR) and anti-deficiency rules.	FAR and anti-deficiency rules hold contractors accountable. Legal documents spell out the incentive awards. Construction contracts are subject to random reviews by internal auditors at DoD. In privatization, the relationship is primarily between developer and the renter. However, government interests are protected.	14%	0.1
3	<i>Are all funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?</i>	Yes	Housing allowances are paid to service members every month. Military construction funds expire in five years and DoD closely monitors the funds and progress of various projects.	DoD spends all allocated funds in a timely manner. The obligation/outlays rates are monitored through monthly reporting. Any funds that are not spent are re-allocated yearly through the reprogramming, reappropriation, or reauthorization process.	14%	0.1
4	<i>Does the program have incentives and procedures (e.g., competitive sourcing/cost comparisons, IT improvements) to measure and achieve efficiencies and cost effectiveness in program execution?</i>	Yes	The on-base housing program makes effort to privatize government-owned housing. DoD has used IT (i.e. the internet) to improve the housing referral system to help service members with relocation efforts.	For each privatization project, DoD assesses the cost having the government vs. the private sector construct a home. Construction costs for privatized housing are cheaper and of better quality than government-owned housing. DoD is working with the private sector to create a web-based referral system, thereby, reducing the need for housing personnel.	14%	0.1
5	<i>Does the agency estimate and budget for the full annual costs of operating the program (including all administrative costs and allocated overhead) so that program performance changes are identified with changes in funding levels?</i>	No	DoD has not yet budgeted for the complete elimination of out-of pocket housing expenses. However, the goal is to achieve it by 2005. For military construction, the budget fails to completely include operation and maintenance costs and thus the buildings are not completely sustained and restored.	In order to properly account for the full cost of the program, DoD has to track direct and indirect costs to judge the performance of the program. In order to budget completely for operations and maintenance, sufficient funds have to be allocated for this effort. The master plan indicates that adequate funds are not set aside because of other priorities.	14%	0.0

6	Does the program use strong financial management practices?	No	DoD continues to receive disclaimers by auditors on the financial statements for the agency as a whole.	Though there are no audit reports of the housing program that illustrate management deficiencies, it is not clear that the financial data is accurate and compliant with federal management standards. DoD has yet to receive a clean audit.	14%	0.0
7	Has the program taken meaningful steps to address its management deficiencies?	Yes	DoD operates its housing program from three different offices (allowances, construction, privatization). However, each office reviews their data collection methods and quality control systems each year and coordinates public policy efforts. DoD is currently considering ways of improving management by placing all three areas of the program together.	DoD issues an internal report and takes steps to improve management deficiencies such as undertaking program evaluations, housing requirement studies, and increasing housing allowances. Given budgetary constraints, DoD is forced to manage and plan wisely.	14%	0.1

<b>Total Section Score</b>	<b>100%</b>	<b>71%</b>
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#### Section IV: Program Results (Yes, Large Extent, Small Extent, No)

Questions	Ans.	Explanation	Evidence/Data	Weighting	Weighted Score																		
1 <i>Has the program demonstrated adequate progress in achieving its long-term outcome goal(s)?</i>	Large extent	DoD has a challenging goal of eliminating inadequate housing units by 2007. DoD is making progress toward this goal by increasing privatization and the cash allowance. Out-of-pocket housing expenses are being reduced annually.	DoD's budget documents show DoD's progress toward eliminating inadequate houses, the level of privatization, and increases in allowance, .	25%	0.2																		
<table><tr><td>Long-Term Goal I:</td><td>Completely eliminate inadequate units by 2007</td></tr><tr><td>Target:</td><td>Completely eliminate inadequate units by 2007</td></tr><tr><td>Actual Progress achieved toward goal:</td><td>Currently 60% of DOD-owned housing are inadequate</td></tr></table>						Long-Term Goal I:	Completely eliminate inadequate units by 2007	Target:	Completely eliminate inadequate units by 2007	Actual Progress achieved toward goal:	Currently 60% of DOD-owned housing are inadequate												
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<table><tr><td>Long-Term Goal II:</td><td>Rely on privatization where feasible</td></tr><tr><td>Target:</td><td>Rely on privatization where feasible</td></tr><tr><td>Actual Progress achieved toward goal:</td><td>The FY 2003 and FY 2004 goal is to privatize more than 76,000 family housing units</td></tr></table>						Long-Term Goal II:	Rely on privatization where feasible	Target:	Rely on privatization where feasible	Actual Progress achieved toward goal:	The FY 2003 and FY 2004 goal is to privatize more than 76,000 family housing units												
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<table><tr><td>Long-Term Goal III:</td><td>Eliminate out-of-pocket housing expenses to zero by FY 2005</td></tr><tr><td>Target:</td><td>Eliminate out-of-pocket housing expenses to zero by FY 2005</td></tr><tr><td>Actual Progress achieved toward goal:</td><td>Reduced out-of-pocket costs to 11.3% in FY 2002 and to 7.5% in FY 2003</td></tr></table>						Long-Term Goal III:	Eliminate out-of-pocket housing expenses to zero by FY 2005	Target:	Eliminate out-of-pocket housing expenses to zero by FY 2005	Actual Progress achieved toward goal:	Reduced out-of-pocket costs to 11.3% in FY 2002 and to 7.5% in FY 2003												
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2 <i>Does the program (including program partners) achieve its annual performance goals?</i>	Large extent	Out-of-pocket housing expenses decreases annually. The two ways in which DoD plans to eliminate inadequate DoD housing is to increase construction spending and increase privatization. Construction funding has been limited given other pressing needs. Thus, DoD has increased privatization.	Performance measures reflect Administration goals and objectives. The Secretary's Planning Guidance continue to track DoD's performance. Progress has been made.	25%	0.2																		
<table><tr><td>Key Goal I:</td><td>Reduce out-of-pocket housing expense to 11.3% in FY 2002</td></tr><tr><td>Performance Target:</td><td>Reduce out-of-pocket housing expense to 11.3% in FY 2002</td></tr><tr><td>Actual Performance:</td><td>Reduced out-of-pocket housing expense to 11.3% in FY 2002</td></tr><tr><td>Key Goal II:</td><td>Rely on privatization where feasible</td></tr><tr><td>Performance Target:</td><td>The FY 2002 goal is to privatize 13,905 family housing units</td></tr><tr><td>Actual Performance:</td><td>DoD has privatized 10,284 in FY 2002</td></tr><tr><td>Key Goal III:</td><td>Eliminate inadequate units by 2007</td></tr><tr><td>Performance Target:</td><td>The FY 2002 goal is to reduce the number of inadequate housing units to 153,249</td></tr><tr><td>Actual Performance:</td><td>DoD has reduced the number of inadequate housing units to 163,195 in FY 2002</td></tr></table>						Key Goal I:	Reduce out-of-pocket housing expense to 11.3% in FY 2002	Performance Target:	Reduce out-of-pocket housing expense to 11.3% in FY 2002	Actual Performance:	Reduced out-of-pocket housing expense to 11.3% in FY 2002	Key Goal II:	Rely on privatization where feasible	Performance Target:	The FY 2002 goal is to privatize 13,905 family housing units	Actual Performance:	DoD has privatized 10,284 in FY 2002	Key Goal III:	Eliminate inadequate units by 2007	Performance Target:	The FY 2002 goal is to reduce the number of inadequate housing units to 153,249	Actual Performance:	DoD has reduced the number of inadequate housing units to 163,195 in FY 2002
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Footnote: Performance targets should reference the performance baseline and years, e.g. achieve a 5% increase over base of X in 2000.

3	<i>Does the program demonstrate improved efficiencies and cost effectiveness in achieving program goals each year?</i>	Large extent	DoD has increased privatization and created projects that are individually self-funding projects that require minimal government capital. The government through privatization is able to buy 8 houses for the same price of buying one house through government construction.	Recent market surveys done for privatization projects indicate that surplus housing exist on bases and thus projects have been reduced in scale (e.g. draft of the Kirkland project). Less government housing means less costs to the taxpayer.	25%	0.2
4	<i>Does the performance of this program compare favorably to other programs with similar purpose and goals?</i>	N/A	There is no other program in the federal government in scale that is comparable to the military housing program.		0%	0.0
5	<i>Do independent and quality evaluations of this program indicate that the program is effective and achieving results?</i>	Large extent	DoD's program performance is audited by GAO periodically.	GAO overall believes the housing privatization program to be successful. However, it believes that the housing requirement process has faults and thinks that privatization and construction may be occurring in locations that are unnecessary. DoD has taken technical steps to improve the calculation of project life-cycle costs and is conducting a privatization program evaluation every six months.	25%	0.2

<b>Total Section Score</b>					<b>100%</b>	<b>67%</b>
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